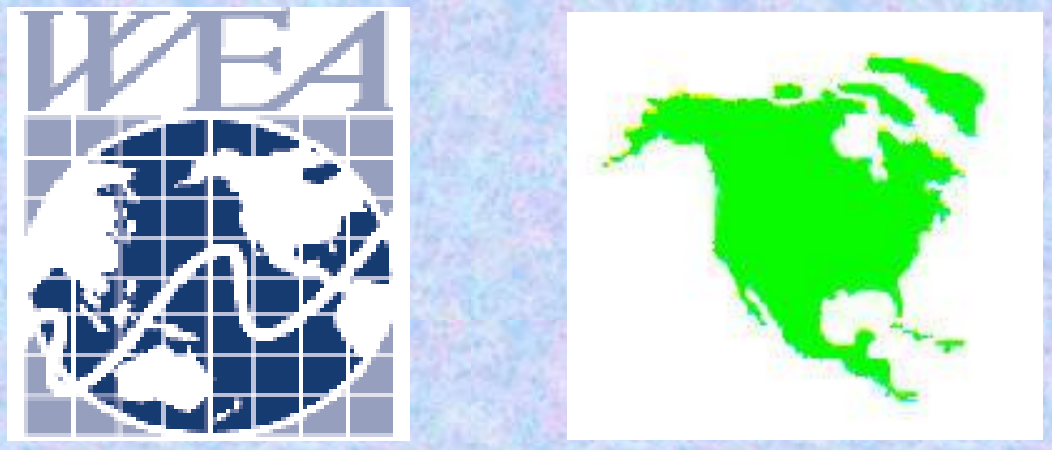
Comments on Ho-Tan and Boatman Papers

San Francisco 7/8/05

WEAI-NAEFA

Daniel J.B. Mitchell

Comments on Ho-Tan Paper



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Technology and Displacement

- **Unemployment?**
  - ***Definition***
  - ***Short Run***
- **(Total) Employment?**
- **Industry and/or Occupational Mix?**
  - ***Default Assumption***
- **Empirical Evidence?**
- **A Journal Editor's Viewpoint**

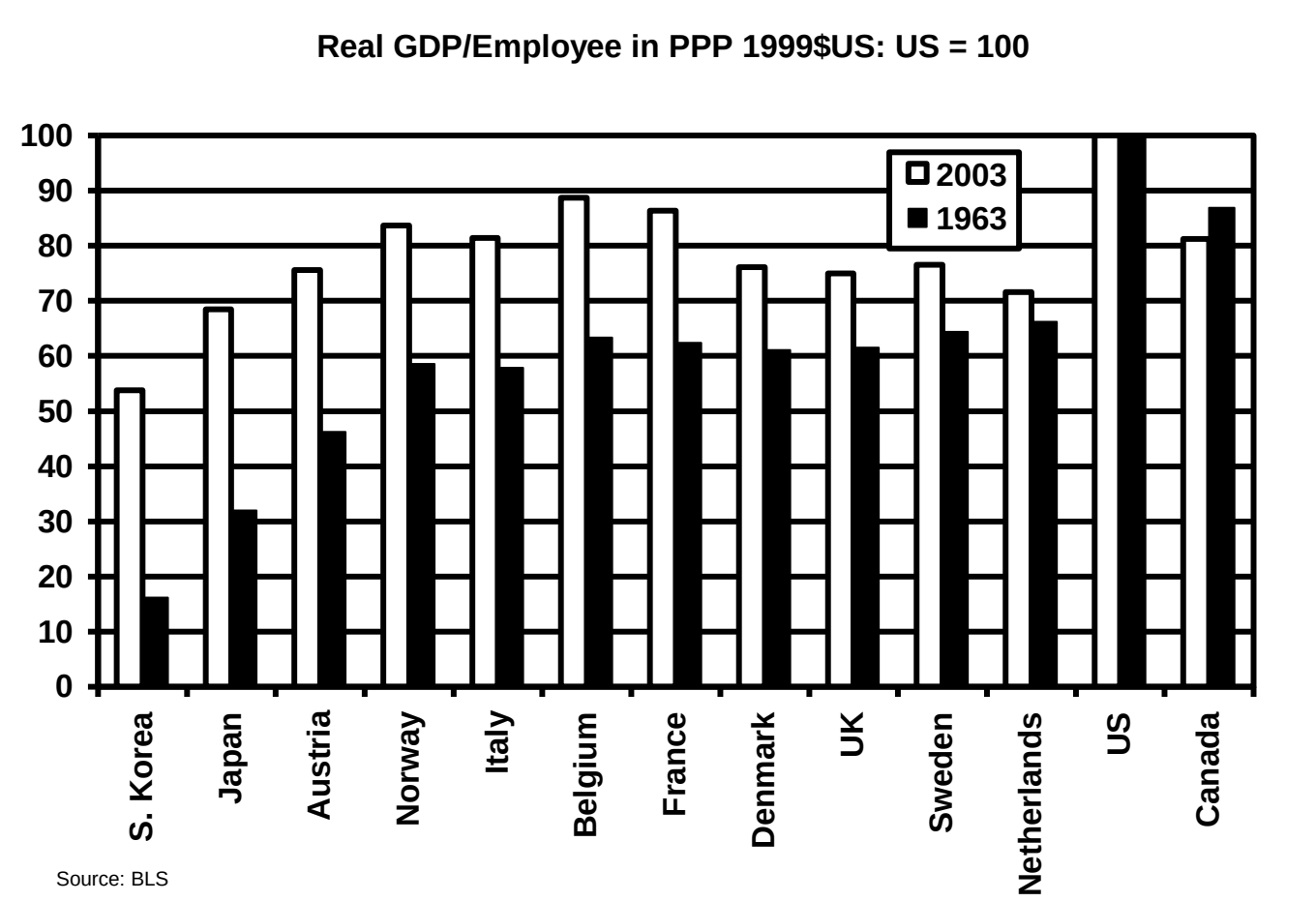
Unemployment or…?

Got some bad news for you, Larry.

(My) Default Assumption

- ***Except in short run, employment is supply-side driven. Negative shocks in one sector move workers into other sectors.***
- ***Deviations from default can occur due to major macro demand shocks, e.g., Great Depression.***
- ***Absent some kind of rigidity (wage, regulatory, etc.), frictional or job-matching stories are unlikely to account for major macro deviations from default.***

Empirical Evidence?



Provisos:

- **Real GDP/Employee not good measure of labor productivity**
- **Really want multifactor productivity to measure technology growth**

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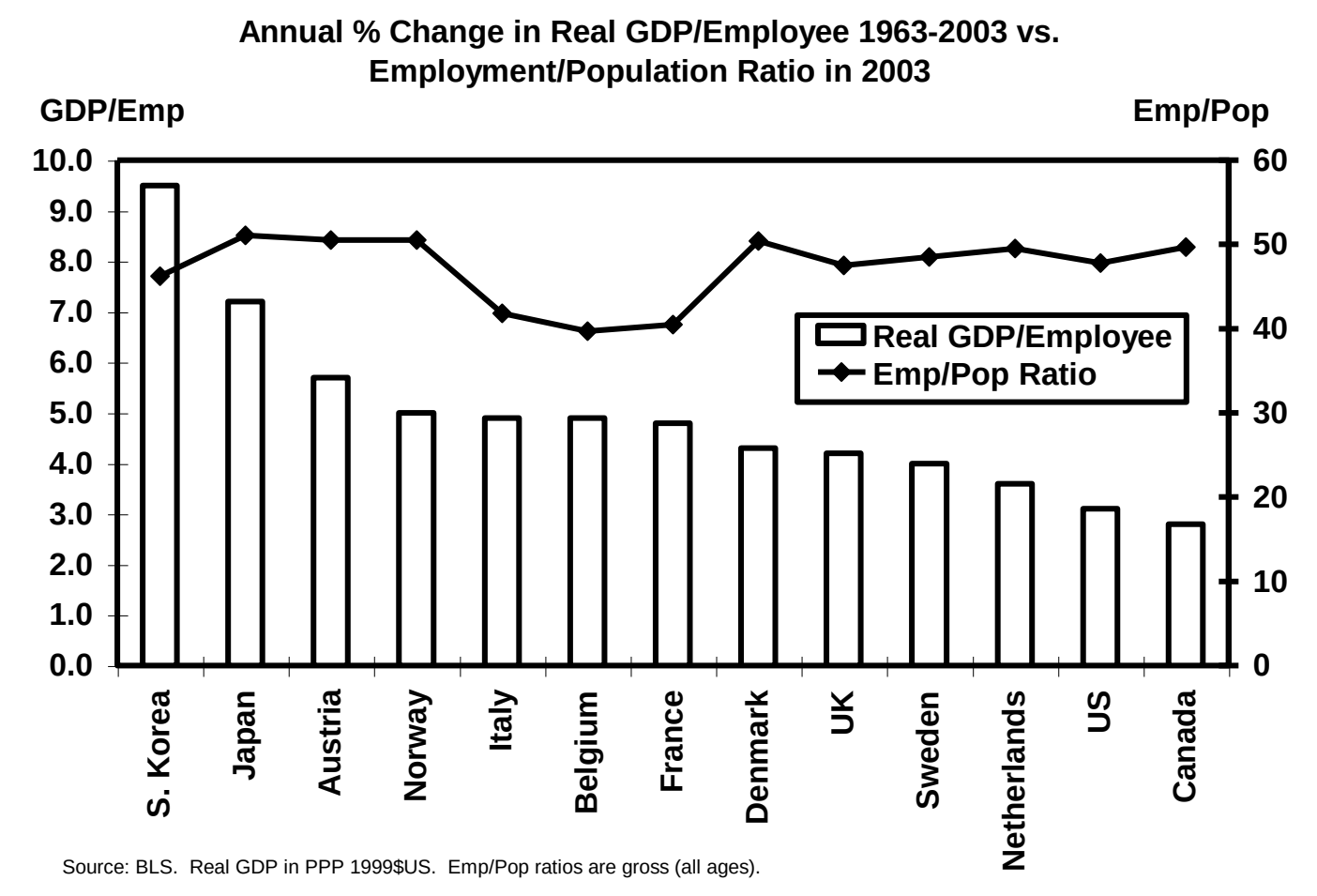

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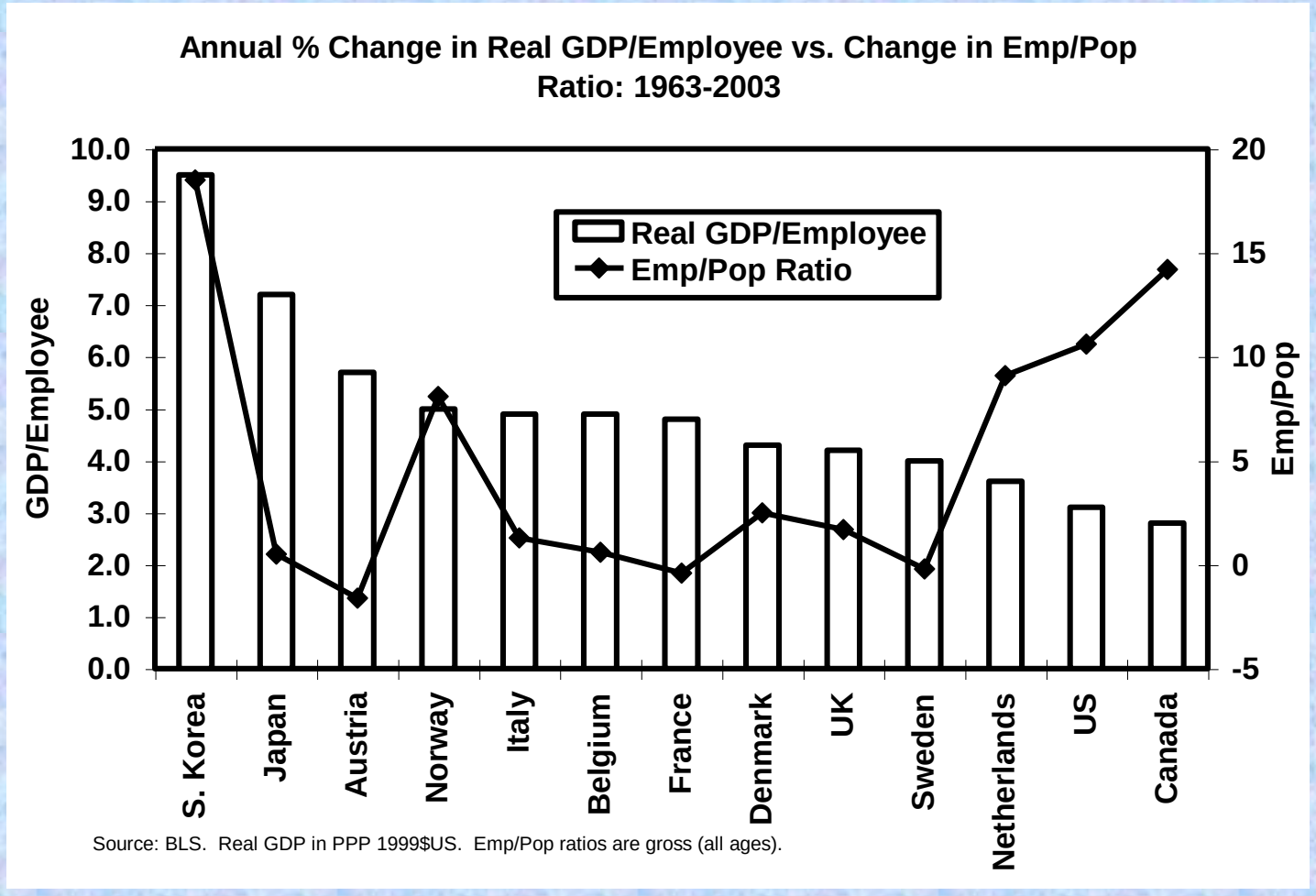

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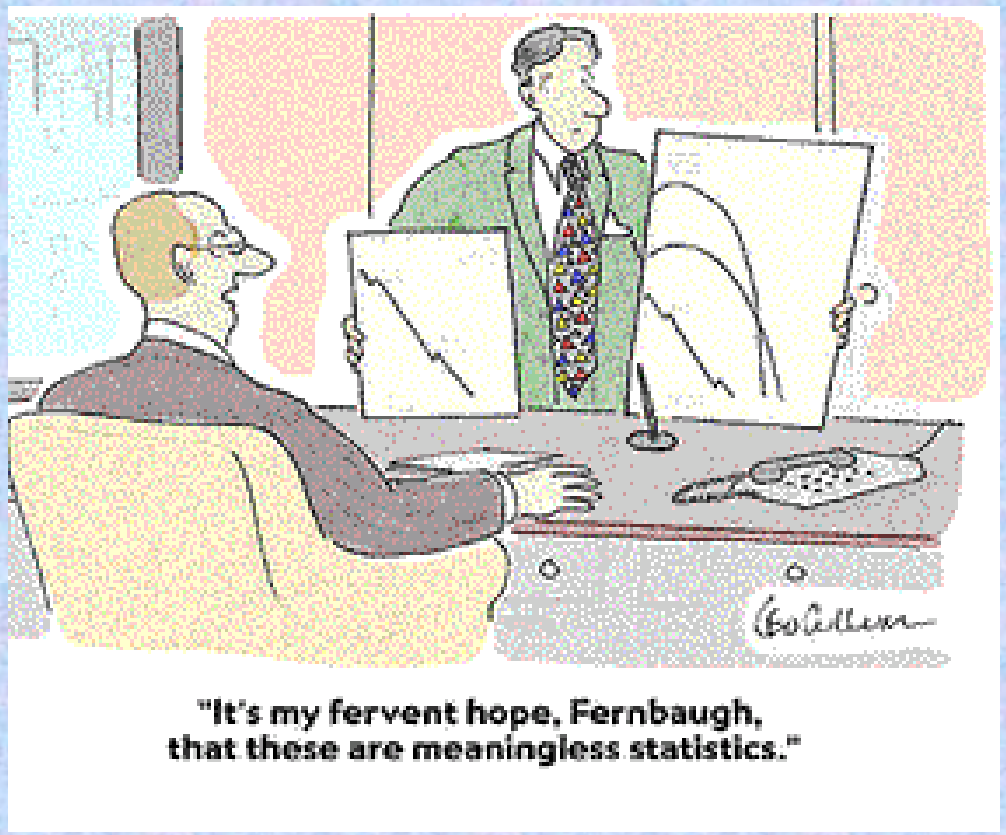

"It's my fervent hope, Fernbaugh, that these are meaningless statistics."

Provisos:

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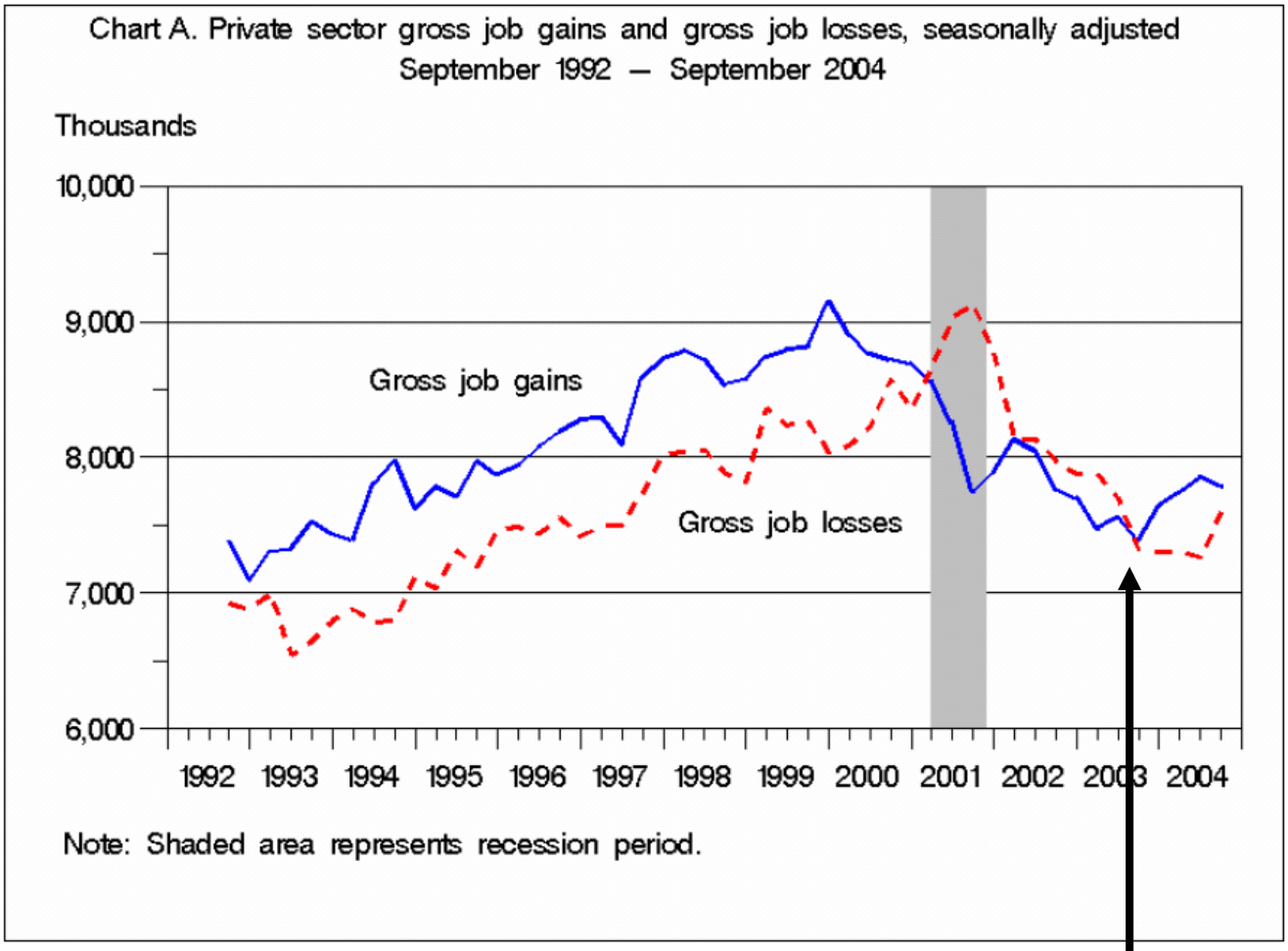
Job creation/destruction dynamics <u>are</u> helpful in interpreting short-term labor market developments



“Jobless recovery” period

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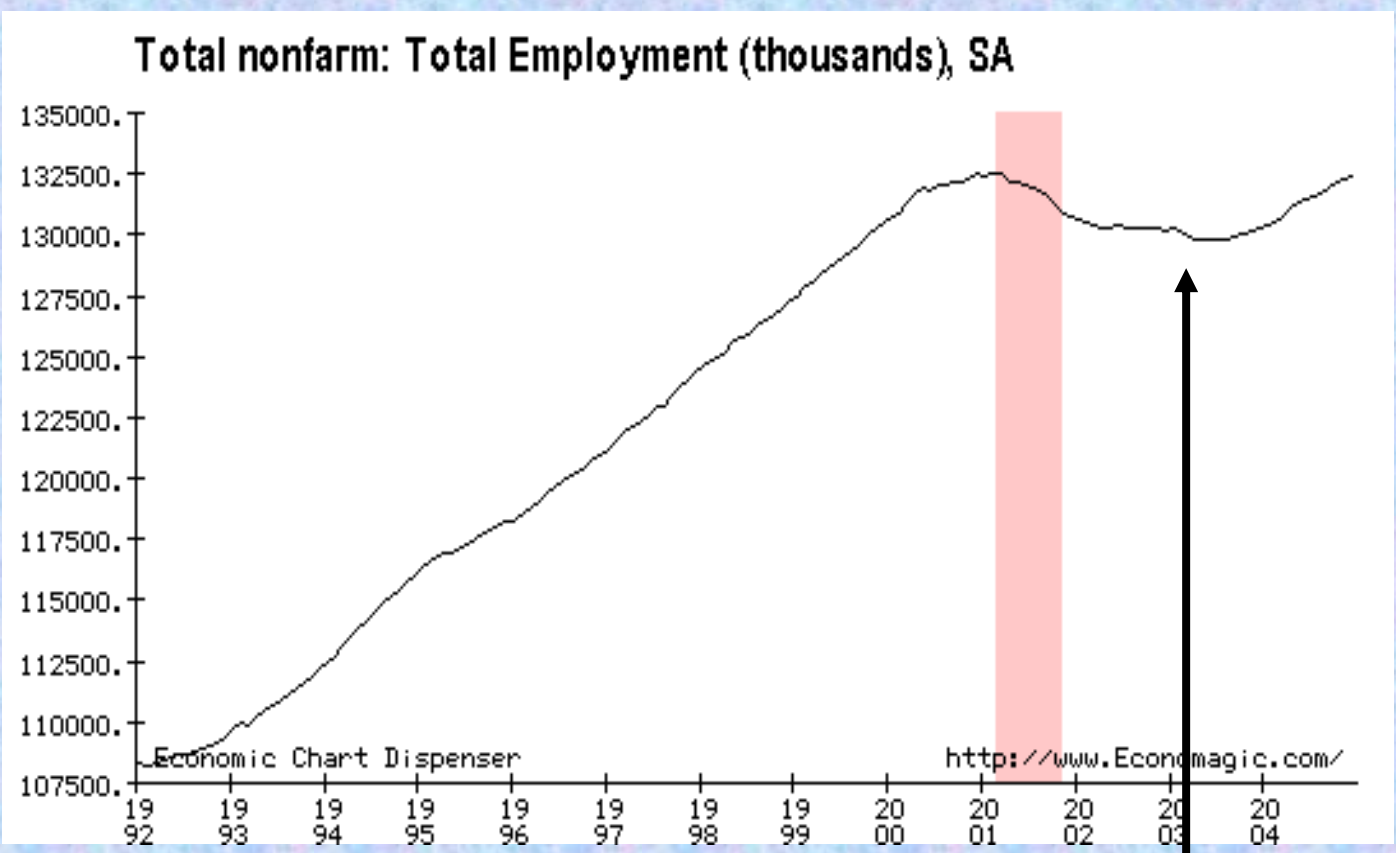

Annualized BLS multifactor productivity trend:

1992-2000: 1.0%

2000-2002: 1.0% **(latest available)**

“Jobless recovery” period

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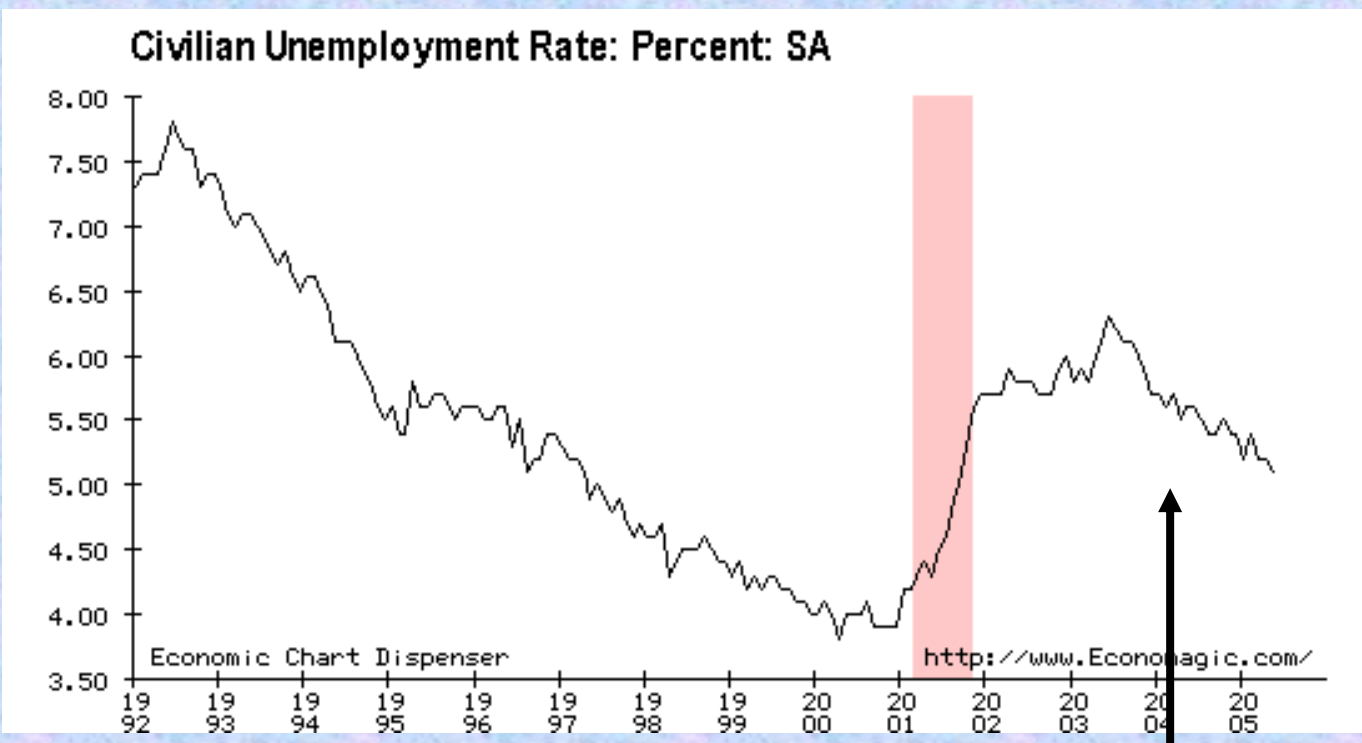

Alternatives to tech explanation:

- **Stock market bubble**
- **Sept. 11**
- **Overinvestment in late 1990s**
- **Fed policy**
- **Trade deficit**

“Jobless recovery” period

Journal Editor's Viewpoint

"I still say it's only a theory."

- ***Some theories are more compelling than others.***
- ***Does empirical evidence conflict with default assumption of supply driven employment except in short-run?***
- ***Implication/magnitude of that conflict is important because…***

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Three Quick Comments

- About half of US trade is "non-Ricardian," i.e., with similar countries. So what explains that half should be similar to what explains domestic trade.
- US FDI to similar (OECD) countries should in much the same way be explained by whatever explains investment within US. Non-OECD sample may have different story.
- Data question: What does Dept. of Commerce call a mfg. plant before it begins operation? More generally, check for statistical artifacts.
- Journal Editor comment: Not clear that game theory story adds much to empirical observation.

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